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25 January 1952

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TOP SECRET SUPPLEMENT

TO THE DAILY DIGEST

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SECTION 1 (SOVIET)

1. FINLAND. Finnish Premier pleads for Scandinavian neutrality: Finnish Premier Kekkonen's published interview in his party's newspaper urged Finland's Scandinavian neighbors to "establish and secure neutrality." He emphasized the benefit to Finland of having neutrality assured in the north, since this would remove even a theoretical threat to the USSR of aggression being staged across Finland. (C Helsinki 295, 23 Jan 52; U Washington Post, 24 Jan 52)

Comment: Kekkonen's speech follows hints by a Soviet diplomatic official late last fall that the USSR would view favorably the formation of an independent Scandinavian defense alliance.

While Prime Minister Kekkonen has not hesitated in the past to use his ability to deal with the Russians for personal internal political reasons, his recent successes in the Finnish Parliament would make it unnecessary for him to make such a statement at this time. It is possible, therefore, that Kekkonen put out this feeler at the behest of the USSR.

SECTION 3 (WESTERN)

2. ITALY. Italo-Yugoslav talks continue stalemate: "Unofficial" Italian and Yugoslav delegates met in Gorizia early in November to discuss procedure for talks on Trieste, but made no progress, according to [REDACTED] Italy explains current Yugoslav lack of interest in negotiations, which has been apparent since De Gasperi's visit to the US in September, on the grounds that the Yugoslavs resent the anti-Yugoslav campaign of the Italian press, believe that Italy is under Western pressure to settle the Trieste question, and/or desire to wait until after the Trieste elections in the hope that the results will improve their bargaining position.

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The Italians believe, however, that the Yugoslavs may desire to begin talks because of their requirements for industrial equipment. The Italian Ambassador in Belgrade rejected a proposal of his Foreign Office that the US be asked to put pressure on Yugoslavia. [REDACTED]

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Comment: Both Italy and Yugoslavia have shown a lack of enthusiasm for undertaking negotiations over Trieste. Since the end of November high-ranking representatives of both governments have been meeting in Paris to explore the possibilities of a settlement; the unwillingness of both parties to make concessions has prevented any progress.

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3. SPAIN. Pretender denies rapport with Franco: The Spanish Pretender Don Juan has categorically denied reports that he recently sent a conciliatory letter to Franco. Don Juan has informed a US Embassy official in Lisbon that he has no intention of making any further approaches to the Caudillo, saying that they would be futile gestures, since Franco has no intention of ever voluntarily relinquishing power. (S S/S Lisbon 314, 23 Jan 52)

Comment: According to one report, Don Juan allegedly indicated his recognition of the validity of the Law of Succession, a focal point of Monarchist opposition to the Franco regime, and acknowledged Franco's prerogative to determine who should be king. Franco desires to persuade Don Juan to renounce his rights to the throne in favor of the latter's minor son, for whom Franco would become regent should he find it expedient to enthrone a king.

4. UNITED KINGDOM. British not disturbed by Iranian financial outlook: British Embassy officials in Tehran hope that Iran's financial prospects will not frighten the US into granting budgetary aid. They cite Iran's past ability to get along despite its periodic protests of having reached "the bottom of the barrel."

According to the British Economic Counselor, the government might run out of currency next month, but can get along until April by selling gold and foreign exchange. By that time he feels there might be "either a new government or new policies that would enable the country to live through its economic crisis without any severe amount of unrest." (S S/S Tehran 2749, 22 Jan 52)

Comment: British officials, who hope that deteriorating conditions might compel the government to come to some agreement on the oil question, have been less worried than the US by the possible political effects of the Iranian financial situation. Ever since the first difficulties in 1949 over the ratification of the Anglo-Iranian Oil Company's Supplementary Agreement, however, the British have consistently maintained that financial considerations would restrain Iranian actions.

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SECURITY INFORMATION

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SECTION 1 (SOVIET)

1. USSR. Soviet repatriation from China planned for early 1952: Elaborate plans are being made to repatriate all Soviet citizens, except consular, advisory, cultural and military personnel and probably trade specialists, to the USSR early in 1952, [REDACTED]

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Comment: Since World War II it has been Soviet policy to encourage the return to the USSR of all Soviet citizens abroad, except for official personnel.

In China there has been no known repatriation program since 1947-1948 at which time there was a voluntary program involving only a few thousand persons. Undoubtedly there have been involuntary removals of Soviet citizens, particularly from Manchuria and Sinkiang, but nothing is reliably known of these cases except for the forcible repatriation of at least 5,000 Russians from Harbin after Soviet forces entered the city in August 1945.

There are probably upwards of 60,000 Russian emigres with Soviet citizenship still residing in China. At least 30,000 are in Manchuria, possibly 15-20,000 in Sinkiang, and the remainder (probably under 10,000) in China proper.

It is likely that this latest repatriation plan, supported by other reports, will be executed along lines described in the report.

2. CZECHOSLOVAKIA. Status of several high Czech officials is in doubt: Prague Radio has announced the replacement of Ladislav Kopriva, Minister of National Security, by Karel Bacilek, recently appointed Minister of State Control. Rumors reported from Prague in the last week indicate that the Deputy Minister of Defense, General Hruska, and the prominent Communist, Gustav Bares, may also be in trouble. (R FBIS, 23 Jan 52; S Prague Unnumbered, 22 Jan 52; C Vienna 2399, 22 Jan 52)

Comment: Kopriva's removal is undoubtedly in connection with the Slansky case, since as cadre chief of the Communist Party and later as Minister of National Security he was directly responsible for the reliability of party members. Bares was appointed a member of the new Czechoslovak Orgburo in the party reorganization last September.

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3. POLAND. Removal of Jews from Polish Government reported possible: Four members of the Polish UN delegation, Wierblowski, Katz-Suchy, Lachs, and Boratynsky, have devoted attention and interest to the Israeli delegation this year, according to one of the Israeli delegates. The source believes that these men, who are Jews, have taken this action to try to improve their chances of political asylum in Israel should their political position in Poland deteriorate.

The Israeli delegate stated that it was only a matter of time before pressure began to be exerted on Jews in the Polish Government and Communist Party as part of an anti-Semitic campaign under Soviet direction. (S Paris DELGA 1075, 18 Jan 52).

Comment: Approximately a year ago, the Polish Government halted the emigration of Jews to Israel primarily, it is believed, as a measure to conserve its manpower resources. Since that time the Government and the Communist Party have endeavored to force the assimilation into the Polish nation of the remaining members of the once large Jewish community. While there has been no visible concerted effort to remove Jews from prominent positions in government, such a movement is likely to develop gradually during the next few years. At the present time a considerable number of Jews hold positions of high responsibility in the government.

4. Second US firm believed shipping copper to Poland: The British Board of Trade reports firm indications that the Anaconda Sales Company of New York has made arrangements for the shipment of 3,000 tons of copper from Chile to Poland via Antwerp. (S London 3156, 21 Jan 52).

Comment: The British Board of Trade reported early in January that the National Steel and Engineering Company of Washington, D. C., was engaged in similar preparations for the shipment of 1,000 tons of copper to Poland. Poland is apparently in real need of this copper, although it may be acting as purchasing agent for the Soviet Orbit. Last December, Finland was able to obtain 1,000,000 tons of coal from Poland in exchange for the relatively small amount of 1,350 tons of copper and copper products.

5. YUGOSLAVIA. Yugoslavs commemorate the anniversary of Lenin's death: Yugoslavia's news organs have again seized the anniversary of Lenin's death as a glorious opportunity to expose the Stalinist betrayal of the Revolution. Borba charges that "acting in the name of Lenin, Soviet leaders are gradually turning Socialism into hegemony." Politika, another party organ, writes that "it would not be immodest to say that Lenin's thoughts live fully in the Yugoslavia of today. In this country ideas of Marx and Lenin are being put into actual practice." (R FBIS Belgrade, 22 Jan 52)

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Comment: Yugoslav dependence on their interpretation of classical Marxism and Leninism constitutes a cornerstone of the current Yugoslav ideological appeal, and a basis for an attack against the "Stalinist aberration." The significant amount of attention devoted to Lenin illustrates Tito's continued role as the chief ideological rival of Stalin in the world Communist movement and his ambition to communize Yugoslavia.

6. Kidric outlines objectives of the 1952 Social Plan: Boris Kidric, chairman of the State Economic Council, outlined three major objectives of the Yugoslav Social Plan for 1952: the completion of capital equipment construction, the strengthening of Yugoslavia's defense potential, and the consolidation of Yugoslavia's principles.

According to Kidric, the completion of key capital construction will enable Yugoslavia to "boost living standards substantially" and strengthen defense.

Despite the expenditures of nearly one fourth of Yugoslavia's national income on defense needs, Kidric stated that the current standard of living will be maintained "with perhaps a certain improvement." (R FBIS Belgrade, 23 Jan 52)

Comment: Yugoslavia's ability to maintain its present living standard, while indulging in an ambitious defense and investment program, undoubtedly assumes a substantial contribution of foreign aid. Approximately 18 percent of the estimated national income for 1952 will go toward the completion of key investment projects in 1952; defense and capital investments will comprise over 40 percent of the national income. Consequently, should the amount of Western aid be less than expected, living standards will probably continue to be sacrificed to the "needs" of defense and socialist development.

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SECTION 2 (EASTERN)

1. ISRAEL/JORDAN. Border situation worsens: UN members on the Jordan-Israel Mixed Armistice Commission are depressed over the greatly worsened situation along the Jordan-Israel frontier. The recent Israeli shooting of five Arabs in a border Arab village near Jerusalem has climaxed a series of similar incidents in the past few weeks. According to the American Consul General in Jerusalem, an Israeli official was admittedly embarrassed when questioned recently concerning some of these incidents but remarked that Arab infiltration into Israel had considerably decreased as a result of the Israeli actions. (S Jerusalem 100, 22 Jan 52)

Comment: While there is no indication that Jordan will retaliate against Israel as the result of these serious border incidents, the ill will caused by the recent killings will only strengthen general Arab determination not to negotiate a peace settlement with the Israelis.

2. INDONESIA. Government may request removal of Netherlands military mission: Foreign Minister Subardjo told US Ambassador Cochran that he is increasingly disturbed by evidence that disorders in Central and West Java are instigated and directed by Netherlands agents on orders from ex-members of the Netherlands military mission in Indonesia. Subardjo said that until recently his government had thought the military mission was conducting itself properly, but the government is now so convinced of its involvement that the Indonesian delegation now in The Hague has been instructed to seek the removal of the mission. (S Djakarta 1053, 22 Jan 52)

Comment: The standard suspicion of Indonesian army and police officers--particularly in especially insecure areas--is Netherlands interference. However, no reports of Dutch-inspired disorders have been confirmed since the Westerling affair of January 1950, and Westerling was supported, not by the Netherlands government, but by private Dutch citizens.

US service attaches have consistently reported during the past year and a half that those Indonesians who have worked with the Netherlands military mission have been favorably impressed, and that cooperation between the Indonesians and the Dutch in this field has appeared genuine.

3. PHILIPPINES. Reparations within terms of Japanese Peace Treaty may satisfy Philippine negotiators: Present indications are that the Philippine delegation on reparations which will meet with a Japanese mission due in Manila on 25 January will be satisfied if the Japanese accept a liberal interpretation of the pertinent article of the Japanese Peace Treaty. (C Manila 2569, 22 Jan 52)

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Comment: The Filipinos have drawn up proposals for Japanese consideration asking reparations beyond the treaty terms, which bar the imposition of a foreign exchange burden on Japan. The Manila press continues to refer to Japanese liability to the extent of eight billion dollars. Foreign Minister Elizalde has publicly stated that that figure is useful as a starting point but has indicated to American officials his awareness that such a demand is fantastic in relationship to Japan's capacity to pay.

4. BURMA. Burmese request for admission to Colombo Plan reported: The British Ambassador informed the Chief of the MSA Mission in Rangoon that Burma had submitted a written request for admission into the Colombo Plan. The MSA Chief comments that this Burmese decision may be intended to retain relations with the West if MSA aid is dropped, or as a financial substitute. (C TOMUS 83, Rangoon, 22 Jan 52)

Comment: The Burmese Premier publicly mentioned the possibility of Burma's joining the Colombo Plan before the current impasse over MSA developed. Previously, the Burmese had generally maintained that the US assistance program was the more generous and was all that Burma was capable of handling for the time being. The Burmese are still interested in foreign aid--with a minimum of obligations--and are not above attempting to play the US against the UK in the hope of gaining more favorable terms.

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6. INDOCHINA. Viet Minh general offensive in south predicted: [REDACTED] 25X1C [REDACTED] the Viet Minh will launch a general offensive in South Vietnam aimed at further isolating Saigon. The attack will begin near the end of February and will be "linked" with operations in Tonkin. [REDACTED] 25X1A

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Comment: The major task assigned to the Viet Minh forces in South Vietnam is to prevent by harassing operations the diversion to Tonkin of any of the 50,000 French troops now in South Vietnam. The over-all position of the Viet Minh in South Vietnam, as estimated by French intelligence, deteriorated somewhat during 1951. While some increase in Viet Minh activity in the south is possible, it is hardly likely that a general offensive could be undertaken now.

7. Saigon newspaper pleads for peace with Chinese Communists: The 19 January issue of L'Union Francaise, unofficial organ of French business interests in Indochina, asserted that the US would come to Vietnam's aid in the event of a Chinese Communist invasion, while at the same time it stressed the unlikelihood and unwisdom of such an invasion. The editors expressed the belief that "good sense" would prevail in Peiping, stating that "Our wish is to entertain correct and profitable relations with Peiping....All that we care about is good commercial relations....A clear aggression on the part of our Chinese neighbors would be bad business for everybody." (R FBIS, 23 Jan 52)

Comment: The 20,000 or more Frenchmen in Indochina, exclusive of military personnel, have shown since the time of Japanese expansion a strong predilection for "business as usual" in the face of armed aggression and continue to exert a powerful influence on Indochinese affairs.

8. Pro-US Vietnamese harassed by police: A Vietnamese who recently was denied an exit visa enabling him to travel to the US states that he and a friend of his have been warned not to frequent the US Information Service, and that students in the USIS English language courses had been bothered by the North Vietnam police. The American Consulate comments that the police keep a check on those who frequent the USIS reading room, adding that a USIS employee was asked by officials of the North Vietnam Surete why he continued to "work for the Americans" when he could earn more with the Surete. (C Hanoi 499, 22 Jan 52)

Comment: The Vietnam Government has no reason to be suspicious or hostile toward the US; on the contrary, it has sought to increase its contacts with the US. The French, on the other hand, have been strongly inclined to suspect the US of attempting to undermine French influence. It is possible that the apparently anti-US behavior of the Vietnamese police results from the considerable influence which the French authorities retain over that organization.

9. French High Commissioner favors military action against uncooperative nationalists: Acting High Commissioner Gautier told Minister

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Heath that he was "extremely worried" about the jungle-based Nationalist force of several thousand men under "General" Trinh Minh The. Gautier stated that his own solution in dealing with this group would be military action, but that Vietnamese Premier Huu would prefer to make some sort of deal with The. (S Saigon 1464, 22 Jan 52)

Comment: Trinh Minh The established an armed camp along the Vietnamese-Cambodian border in June 1951, and in November began broadcasting over an unaccountably acquired transmitter vehement denunciations of both the French and the Viet Minh. Apparently fearful of dignifying The with the status of "Third Force" leader, which he evidently covets, neither the French nor the Viet Minh have attacked him militarily. Although The's force remains weak and has undertaken no military action, the slogan of "No foreign intervention of any kind" which he has hammered home in daily broadcasts is one which has a high emotional appeal for Vietnamese who have hesitated between Bao Dai and the Viet Minh.

10. High Commissioner vetoes Vietnamese tax project: Acting High Commissioner Gautier told Minister Heath that he has withheld approval of Premier Tran Van Huu's projected increase in the income tax. Gautier states that this tax would fall almost exclusively on French firms and individuals. (S Saigon 1464, 22 Jan 52)

Comment: French interference in the imposition of an equitable income tax would constitute a violation of their agreements with Vietnam. On previous occasions French officials have criticized the Vietnamese Government for failure to impose heavier taxation.

11. CHINA. Propaganda attacks on Hong Kong do not indicate imminent aggression: The US Consul General in Hong Kong notes that Peiping's propaganda attacks on the Hong Kong authorities for the past five days represent the longest sustained campaign that Peiping has conducted against the British for many months. He thinks, however, that the charges are being made "for the record" rather than as a preliminary to aggressive action. (C Hong Kong 2246, 22 Jan 52)

Comment: Peiping's recent charges relate to comparatively trifling matters, and no authoritative Chinese Communist spokesman or organ has yet given them official attention. There is no evidence that Peiping intends to assault Hong Kong in the near future.

12. Soviets train Chinese students to become officials:

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[redacted] reports on the operation there of

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an Institute of Foreign Languages, designed to train Chinese students to become government officials. The Institute specialized in two courses: Russian language and Communist doctrine. It was apparently supervised by the Soviet Consulate General, had an exclusively Russian teaching-staff of about 400 persons and was attended by about 20,000 students.

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Comment: Other sources have reported the existence of the Institute, but these figures for teachers and students cannot be confirmed.

13. Peiping comments on Japanese decision to conclude treaty with Formosa: Chang Han-fu, Deputy Foreign Minister of the Peiping regime, regards Yoshida's letter to Dulles -- stating that his government will conclude a peace treaty with the Chinese Nationalist authorities on Formosa -- as "ironclad evidence" of US-Japanese "collusion" and the "most serious and flagrant provocation" since the Japanese peace treaty conference at San Francisco last September. Chang sees the letter as a further development of a policy which creates a "military threat" to Communist China. He concludes his lengthy denunciation with a reference to the Sino-Soviet treaty of February 1950 as a "guarantee of peace and security in the Far East" which is increasingly of "great significance." (R FBIS, 23 Jan 52).

Comment: These remarks reflect Peiping's bitter disappointment over Yoshida's expressed intention to deal with the Nationalists. Both Moscow and Peiping have referred ominously to the Sino-Soviet treaty -- aimed specifically against a resurgence of Japanese aggression and against any state allied with Japan in action regarded by the Communists as aggressive -- on other occasions when developments in Japan appeared particularly unfavorable to the Communist cause.

14. KOREA. ROK Assembly opposes UN body's observation of by-elections: A motion in the National Assembly calling upon the South Korean Government to invite the UN Commission for the Unification and Rehabilitation of Korea (UNCURK) to observe the forthcoming by-elections was defeated on 21 January, according to Ambassador Muccio. The motion ran into vigorous opposition on the ground that UNCURK observation represented an unwarranted interference in the internal affairs of the ROK. The Assembly decided, however, to form its own inspection teams to check on the government's conduct of the election. (C Pusan 724, 23 Jan 52)

15. KOREA. Precarious financial condition of ROK noted by US Embassy: The US Embassy in Pusan reports that the "whole (ROK) financial structure is hanging in the precarious balance." Although the Bank of Korea index

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of commodity prices has shown only a slight increase since December, both wages and the retail price of rice in Seoul have risen substantially during the last month. The rice price increase -- some 33 percent -- so alarmed the ROK Government that acting Prime Minister Ho sent a strongly-worded letter to Ambassador Muccio (see Daily Digest, 22 Jan 52) outlining the critical financial situation. The unconcluded CINCUNC-ROK aid agreement and the unresolved problem of recent ROK request for monthly non-inflationary settlement of won drawings by UN forces are the two factors, according to Muccio, that prevent stabilization of the South Korean economy. (S Pusan 720, 23 Jan 52)

16. JAPAN. Japanese-Soviet Trade Agreement suggested by Soviet official: Kyodo News Service reports being advised by a Soviet Trade Commissioner on 24 January that it would be quite natural for Japan and the USSR to conclude a formal trade agreement in the near future if the latter succeeds in its trade negotiations with individual Japanese firms.

The Soviet official indicated that no agreement had been reached on the method of settlement of transactions, although he hoped it would be a barter arrangement. The spokesman was non-committal on whether the Soviet Mission plans to remain as a trade mission after the peace treaty becomes effective. (R FBIS Ticker, 24 Jan 52)

Comment: Soviet trade representatives have been dangling the bait of cheap coking coal before Japanese firms for the past several months, but they have dropped the negotiations before concrete terms and methods of payment could be arranged. This suggests that the Soviets are attempting to create widespread propaganda interest in Soviet-Japanese trade prior to making a formal proposal to the Japanese Government for a trade agreement.

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SECTION 3 (WESTERN)

1. GENERAL. COCOM countries reluctantly agree to increased US voice on export controls. The Coordinating Committee on East-West trade (COCOM) at the Paris meeting which ended 21 January agreed to the revision of certain procedures to facilitate compliance with the US Battle Act only after vigorous objection from European members. Britain and France especially voiced strenuous opposition to the US proposals for prior consultation with the US on shipments of strategic materials to Eastern Europe and for the temporary suspension of shipments already scheduled for delivery. They felt that the Battle Act implied the use of US economic aid to enforce particular trade policies, thus constituting an infringement of sovereignty and threatening the multilateral approach to export control.

All the COCOM delegates agreed to prior consultation when assured that the US had no intention of undercutting COCOM and would give each case rapid consideration. Although no delegate would assent to the suspension of already scheduled shipments, it was agreed to send to COCOM, as soon as possible, particulars of outstanding commitments on these items.

The US delegate believes that, despite Britain's being the most outspoken in its opposition to a unilateral American judgment, the concluding British remarks indicate it will cooperate on the basis of the agreements reached. He considers the meeting resulted in "the genuine improvement in US-Western European relationships on problems of export control." (S Paris 4246, 4247, 4299, and 4362, 17, 19, and 22 Jan 52)

2. Council Deputies in general agreement on NATO reorganization: Preliminary discussion by the Council Deputies of the US proposal on NATO reorganization has revealed a substantial measure of agreement. There is full accord that the Council should be the only formally constituted civilian body. It would hold several meetings each year attended by the foreign, finance and defense ministers as at present, but during the rest of the year would be in continuing session with permanent representatives from each country heading a UN-type delegation. If Council business required, ministers could attend any of the regular meetings. The permanent representatives would have ministerial prestige, but need not be cabinet members. The Council would be served by an international staff under a single secretary-general, who would not be a member of any national delegation. This staff would perform planning, analytical and follow-up functions for all Council activities, and the presently constituted Council Deputies, Financial and Economic Board, and Defense Production Board would be abolished.

Opinion was divided on the location of a permanent NATO headquarters, the majority preferring Paris to London. There were also varying views on the selection and term of office of a chairman and a vice-chairman of

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the Council, with full agreement only that the secretary-general should not preside. (S Depto 855 London, 22 Jan 52)

Comment: The large area of agreement in this first discussion by the Council Deputies indicates that approval will be forthcoming at the Lisbon meeting for the broad outlines of the reorganization plan affecting the civilian side of NATO. Lesser changes in the top-level military structure involving the Military Committee, the Standing Group and the Military Representatives Committee are being considered by the Military Committee. These do not include any change in location for these bodies from their present headquarters in Washington.

3. GERMANY. West Berlin trade permits again rejected by USSR: Soviet authorities in Berlin on 22 January once again rejected a large number of export permits submitted to them by West Berlin manufacturers for clearance.

United States High Commissioner McCloy states that unless further investigation reveals a satisfactory explanation, the Allies will probably drop their plan to permit the West Germans to renew interzonal trade. (S Bonn 1223, 22 Jan 52)

Comment: This is the first rejection of export permits since 3 November. The renewal of Soviet harassing tactics suggests that the Communists might risk further restrictions on interzonal trade, provided the USSR could derive the necessary political benefits, such as division of the Allies and increased West German sentiment for East-West German rapprochement.

4. AUSTRIA. People's Party deposes Cabinet members: The resignations of the Ministers of Trade, Agriculture, Finance, and Education have been accepted by the Austrian Federal President in a limited shake-up of the People's Party representation in the Austrian Cabinet.

The former Minister of Trade will become the Minister of Education. Entering as new ministers are the former president of the Styrian provincial diet (Agriculture), the vice-president of the Chamber of Commerce (Finance), and the President of the Union of Industrialists (Commerce). Further high-level changes are possible. Gruber is reputed to have been saved only by Chancellor Figl's support, and even Figl may later be succeeded by Party Chairman Julius Baab. (S Vienna 2391 and 2403, 22 Jan 52; U UP Vienna, 23 Jan 52)

Comment: There is nothing to suggest that the continuation of Austria's coalition government is threatened at present by these changes. While the new appointees are conservative, their close identification with

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commercial circles may facilitate the imposition of the economic reforms the US is now urging upon the Austrian Government.

The likelihood of a similar reshuffle on the Socialist side of the Cabinet has been discounted by Socialist leaders, although People's Party leaders are known to desire some changes. The failure of the moderate People's Party to appoint, as previously rumored, a non-party Minister of Finance may reduce the party's "leverage" in forcing the replacement of Socialist ministers who have been accused of exercising their duties in a highly political way.

5. ITALY. Government crisis reported impending: The US Embassy in Rome believes there is a possibility that the Italian Parliament will defeat the government's bill to increase the wages of state employees, and that this will cause the fall of the present government. The government's usual supporters, who favor larger increases than the bill would provide, are divided on this issue.

The fact that a parliamentary crisis is threatened over this relatively minor issue demonstrates the difficulties facing De Gasperi and the serious opposition to the government's general financial policy. (S Rome 3300, 23 Jan 52)

Comment: The proposed bill for increased wages, which is considered inadequate by both Communist and non-Communist labor, points up only one aspect of this general discontent with the present regime. Both the right and left wings of the Christian Democratic Party have long been dissatisfied with the government's financial program, and both, for different reasons, object to the deflationary effects of Budget Minister Pella's conservative policies. In the face of a Cabinet reorganization on this issue last summer, Pella was retained in his post.

Other controversial measures likely to cause the government difficulty are a bill regulating labor unions, a civil defense measure, which is disliked by the moderate left, and the Schuman Plan, which despite the opposition of certain industrialists will probably be passed.

6. SPAIN. Embassy comments on regime's propaganda treatment of US aid: According to the US Embassy in Madrid, the Spanish Government has apparently tried, through the controlled press, to create the impression that the US is avidly seeking the friendship of the regime because its past attitude toward Franco was "wrong" as well as because of Spain's strategic value. There has been no effort to publicize the US concept of Spain's role in European defense, although there has been some publicity regarding MSA and its objectives.

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The Embassy feels that press treatment of economic aid prospects may have led Spaniards to expect hundreds of millions of dollars without any conditions. It does not agree with the thesis, advanced by the Madrid correspondent of an American paper, that the Spanish Government's principal problem is to convince the Spanish people to accept US aid because it implies abandonment of neutrality. The Embassy points out that Franco's foreign policy is determined by the regime's self-interest and not by public opinion. (S Madrid 782, 23 Jan 52)

Comment: These comments are in response to concern expressed by the Department of State over reports that the Spanish Government was misrepresenting the motives and conditions of proposed American aid. (see OCI Daily Digest, 17 Jan 52).

7. UNITED KINGDOM. Eden fears parliamentary criticism on Far East policy: Expecting heavy criticism from elements of both parties when Parliament reopens on 29 January, Foreign Secretary Eden is trying to convince Opposition leader Attlee that no serious additional British commitments on Far Eastern issues were made during the recent Washington talks, and that the country's foreign policy remains substantially as it was under the Labor government. The US Embassy reports that not only Labor Party leaders, but also important Conservative interests with business connections in the Far East are deeply concerned. The government will be severely cross-examined regardless of Eden's success or failure in winning Attlee over to continued support of a bipartisan foreign policy. (S London 3198, 23 Jan 52)
8. TUNISIA. Tunisians state willingness to accept gradual reforms: The Tunisian Cabinet and the Bey are united in their determination not to yield to threats to depose the Bey and other forms of French pressure. According to an influential member of the Cabinet, the Tunisians would accept a gradual transfer of authority. They would not, for example, insist on the immediate replacement of all French department directors by Tunisian Ministers. (C Tunis 83, 21 Jan 52)
9. BOLIVIA. Official suggests new tin price: Commenting on the new tin price established in the US-British tin contract, an official of the

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Bolivian Foreign Office stated that the "new price is a good starting point for further talks. If we can get 5 or 10 cents more, everything will be fine." (C La Paz 275, 23 Jan 52)

Comment: The price of 1.18 dollars a pound was established under the US-British tin contract. New US-Bolivian tin negotiations are scheduled to begin on 26 January.

10. BRAZIL. Government to prohibit "Continental Congress for Peace": The Chief of Police of the Federal District announced on 23 January that the Communist Continental Congress for Peace, scheduled "for Rio next month," is prohibited. A high police official told the US Embassy that this action resulted from "a direct order from the President." He added that the Federal Police ban applies only to the Federal District, but that police of other states are expected to comply. (U Rio de Janeiro 933, 23 Jan 52; C Rio de Janeiro 934, 23 Jan 52)

Comment: The Latin American Communists have been attempting to hold a regional "Congress of Peace" since last September. Meetings scheduled for Mexico, Uruguay and Chile failed to materialize due to government disapproval. It was reported last November that Brazil probably would not permit the holding of this international Communist conference (see OCI Daily Digest, 27 Nov 51).

11. COSTA RICA. New shipping law promulgated; implementing regulations awaited: A new shipping and export control law was promulgated in San Jose on 16 January. Implementing regulations are expected to be ready for publication this week. According to press reports, Mexico has agreed to assist Costa Rica in enforcing the law in ports where there are Mexican Consuls but no Costa Rican representatives. (C San Jose 831, 17 Jan 52)

Comment: In its draft from this new law, an amendment to the "Law for Economic Defense," contained extremely broad provisions which could lend themselves to the control of virtually any shipping activity deemed contrary to the intent of US and UN defense activities. How much the implementing regulations will limit the application of the law is not yet known.

The reported arrangement for Mexican assistance in enforcing the law may indicate a desire to investigate the activities of the several Costa Rican ships now trading Orbit and Far East ports; on the other hand, it may reflect merely an intention to keep closer track of ships like the Orion, allegedly engaged in arms-smuggling activities in the Caribbean.

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